** Schools Working Paper**

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| **Organisation:** |  |  |
| **Type of Audit:** | Schools |  |
| **Period:** | 2025/26 |  |

**Prepared By:**

**Creation Date:**

**Governance [01]**

|  | **Expected Control Process** | **Risk** | **Testing Procedure** | **Testing Finding** |
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| C01.01 | **Effective Governing Body**  The Schools Governance (Roles, Procedures and Allowances) (England) Regulations 2013 require that the Governing Body shall hold three meetings in every school year, i.e., at least once a term. The attendance shall be at least 50% of the number of Governors in post (or quorate as set out within the Instrument of Government). | Where the FGB does not meet as required, it is unable to properly discharge its duty. It is also a clear breach of statute.  Governors may not be provided with sufficient information to make informed decisions and act as a critical friend to the school. | 1. Obtain a copy of the Governing Body ‘Terms of Reference’ document (Instrument of Government) and a list of all current governors and establish whether the composition of the Governing Body is in line with the Instrument of Government. Where vacancies exist, check whether the Governing Body meeting minutes evidence actions taken to recruit new governors. 2. Check that the Chairs of the Governing Body and the Finance Committee are separate. 3. Obtain the minutes of the Governing Body from the past 12 months and confirm that they have met at least once every term. 4. Confirm that the Governors' minutes have been signed off (physically or electronically) as agreed by the Chair at the next meeting of the Governing Body. 5. Do the minutes clearly indicate attendance and demonstrate that the meetings are quorate (check what has been specified for quorum in the Instrument of Government). 6. Check whether meeting minutes evidence that updates are provided on the respective committee meetings held. (e.g., Finance Committee etc.) since the last governing body meeting. Check whether appropriate information concerning developments within the financial environment in which the school operates has been provided to governors. 7. Do Governing Body meeting minutes evidence governors challenging information presented to them and acting as a critical friend to the School. If this is not clear then discuss with the Headteacher and obtain their opinon on the effectiveness of the Governing Body. Cross reference to C01.09 below and to SFVS Q1. 8. Check that meeting minutes have a standing agenda item for declarations of interests, this should be at the start of each meeting. 9. Establish whether the timing and frequency of Governing Body meetings is reasonable, specifically considering deadlines for reviewing and approving the annual budget. |  |
| C01.02 | **Committees established with clear, documented Terms of Reference. (SFVS 2)**  In line with the School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 clause 22, Governing bodies have the power to set up committees. The Governing Body must determine the constitution, membership and terms of reference of any such committee it decides to establish and must review these annually. | Without an appropriate Terms of Reference, the remit of the Committee will not be clear, and the school will be in breach of The School Governance (Roles, Procedures and Allowances) (England) Regulations 2013.  Decisions requiring Committee approval are not dealt with promptly. | 1. Check that all committees – including the Finance Committee (or equivalent) have a Terms of Reference and that these are approved by the FGB annually and that this is evidenced within the Governing Body meeting minutes. 2. Check whether the committee Terms of Reference clearly define the responsibilities designated to the committee, e.g., for the Finance Committee financial limits for authorisation of expenditure and virements are stated. Check whether the responsibilities are reasonable. 3. Check that the Terms of Reference make clear quorum requirements and the frequency of meetings. Establish whether the timings of Finance Committee meetings are reasonable and take into account financial deadlines to allow the Finance Committee to appropriately review the first annual budget prior to the budget being taken to the full Governing Body. 4. Check that the Finance Committee meets on a regular basis i.e., at least termly and reports financial matters promptly to the full governing body. 5. Obtain copies of the Finance Committee (or equivalent) minutes for the last 12 months. Check that the minutes:   a) support regular meetings in line with the Terms of Reference.  b) are signed off as accepted and agreed by the Chair at the following meeting;  c) demonstrate that the meetings are quorate;  d) make adequate reference to budget monitoring, budget setting, authorisation of higher value purchases or projects; and  e) Have a standing agenda item for declarations of interests to be made (Finance committee as a minimum should provide the opportunity to declare interests) |  |
| C01.03 | **Approved Scheme of Delegation**  The roles and responsibilities of the governing body, any committees, the head teacher and other members of staff in relation to financial decision making and authorisation should be set out in writing within a Scheme of Delegation. (The scheme of Delegation may also incorporate the terms of reference of the committees of the governing body.)  The Scheme of Delegation should document those officers who have been delegated authority to authorise expenditure, virements, etc. If authority has been delegated to curriculum or departmental staff for the certification of ordering and payment, then a list the names and sample signatures of current budget holders should be included within the Scheme. **(SFVS support notes, Question 3)**  *Financial limits should be within the parameters of the LA’s Scheme for Financing Schools:*  ***LBHF*** *set the following limits:*   * *Below £10,000: Expenditure must be approved by the HT or SBM* * *Above £10,000: must be signed by the Governing body or delegated committee; with three written quotes obtained* * *Above £100,000: must be signed by the Head of Finance Children Services*   ***RBKC / WCC****: do not impose a limit on the level of delegation to headteachers, but in making their decisions, the governing body must consider the level of experience of the headteacher and the practicalities of the day to day running of a school.* | Expenditure is not authorised at an appropriate level. | Obtain a copy of the School's Scheme of Delegation.  *Note: that this may be combined with other documents such as finance policy/manual and committee terms of reference.*  Confirm that:   1. The document has been approved by the full Governing Body and has been reviewed by the Governing Body **annually** (this should be documented within the minutes of the relevant meeting) 2. The roles and responsibilities of the governors, committees, head teacher and other relevant members of staff have been clearly defined in relation to financial decision making and administration. 3. Financial limits are specified (in some cases this may be included in a separate more detailed financial policy/procedure manual – see next section - in which case this should also be subject to Governing Body Approval)   *(When reviewing the Scheme of Delegation, confirm that the financial limits are not overlapping)* |  |
| C01.04 | **Documented Financial Procedures (SFVS 5)**  Schools have many systems for processing and recording financial transactions, including governance, purchasing, payroll, contracting services, payroll and income collection. Control over these systems is fundamental in protecting the school from financial loss and fraudulent activity. The outputs of the various systems provide governors with invaluable information regarding the performance of the school.  The Governing Body should therefore ensure that the school is working within documented and approved financial procedures in order to provide an effective framework within which the school's financial affairs are administrated.  All schools are required to comply with LA’s Financial Procedures for Schools (LBHF) or Scheme for Financing Schools (RBKC/WCC). | School unable to continue to function in the absence of a key member of the finance staff | 1. Confirm that the school have access to the LA's most recent finance manual or Scheme for Financing Schools 2. Confirm if the school has a separate set of local financial procedures. If so, verify that:  * The procedures set out all aspects of financial administration at the school, are up to date and reflect current practices and systems in place, and that there is evidence of periodic review (and a planned next review date). * The financial procedures/policy has been approved for adoption by the full Governing Body (this should be documented within the minutes of the relevant meeting).  1. Confirm what arrangements are in place for delivering financial administration at the school, and check that these arrangements are reflected in the financial procedures. Confirm that the school has access to an adequate level of financial expertise. 2. Check that the school has adequate arrangements in place to ensure that financial administration tasks can continue in the event of absence of key financial staff. These should be documented within the financial procedures. 3. Check whether the Headteacher/ Deputy Headteacher has undertaken any training to support them to fulfil their responsibilities in relation to proper financial management at the school. |  |
| C01.05 | **Declarations of Interest held for all Governors and senior staff with financial responsibility (SFVS 4)**  In compliance with the School Standards and Framework Act 1998, declarations of pecuniary interests should be held for all members of the Governing Body. As a matter of best practice, it is also advisable to obtain declarations from the Headteacher and other staff who are able to influence financial decisions. The Register forms an integral part of the school's system of financial control and as such should be held on site and made available for inspection by the Authority, Governors, Staff and parents. | Contracts / work could be awarded to companies who Governors/employees have an interest in. | Obtain a list of all governors and staff with financial decision-making responsibilities.  *(A register is normally held on the School’s GovernorHub or FMS which indicates the date that the Declaration of Interests was last confirmed)*  Check that:   1. the school holds a register of pecuniary interests containing declarations for all governors, and lists any business interests they may have; 2. the Register includes the head teacher and any other staff who influence financial decisions; and 3. there is evidence of an annual review (declaration forms should be signed annually) and that the register is up to date. |  |
| C01.06 | **Schools Financial Value Standard (SFVS)**  Local Authority maintained schools must annually submit the SFVS to their local authority. Local authorities use this information to inform their programme of financial assessment and audit. Local authorities submit an assurance statement to the Education Skills Funding Agency (ESFA) every year to cover all the maintained schools in their area. | Non-compliance with statutory requirement. Negative return for S151 officer. | 1. Confirm whether the School has completed the SFVS self assessment and obtain a copy. 2. Has the SFVS self assessment for the last year ending 31st March been reviewed and agreed by the Finance Committee (or other appropriate Committee) and Governing Body. Obtain meeting minutes as evidence. 3. Confirm that the approved SFVS self assessment was submitted to the LA by 28 May.   When this audit is completed, compare school’s own assessment as per SFVS against audit findings – are there any variations? |  |
| C01.07 | **DBS Checks**  The School Governance (Constitution and Federations) (England) (Amendment) Regulations 2016 made it mandatory for new school governors to apply for an Enhanced DBS certificate within 21 days of appointment.  If the person requires a DBS check with a barred list check, a section 128 direction will be disclosed if school staff specify 'child workforce independent schools' in the parameters when they apply for the enhanced DBS check (paragraph 240 of KCSIE).  If the person doesn't need a barred list check, school staff will need to use the Department for Education's secure access portal to conduct the section 128 check.  Best practice is for DBS renewals to take to be completed every 3 years. However, there is no requirement in terms of frequency . DBS checks do not have an "expiry date" but we know they are only truly accurate on the date of issue.  The School should maintain a record to demonstrate that the DBS was applied within 21 days of appointment. However, where the original appointment was many years ago, the renewal of the DBS should be considered. | Non-compliance with The School Governance (Constitution and Federations) (England) (Amendment) Regulations 2016  Non-compliance with Keeping Children Safe in Education statutory guidance. | 1. Confirm that all governors hold an enhanced criminal record certificate (an enhanced DBS check, without barred list checks) and that this was applied for within 21 days of appointment, where their appointment was within the last year.   Where the original appointment was many years ago, the renewal of the DBS should be considered. Review DBS checks and confirm if they have been renewed within the last 3 years.  *(Schools may not wish to provide copies of the DBS checks they have obtained, but should be able to provide a monitoring system that they have in place indicating whether a check is completed and the date applied for)*   1. Have Section 128 checks been undertaken for all new governors? |  |
| C01.08 | **Whistleblowing Procedures (SFVS 28)**  Schools and their parents are covered by the Public Interest Disclosure Act 1998 which added legal backing to the Nolan proposals. To quote from the Act itself, it is., “An Act to protect individuals who make certain disclosures in the public interest; to allow such individuals to bring action in respect of victimisation; and for connected purposes.”  Following on from the Act, each LA has developed its own Whistle Blowing policy to provide protection for individuals who disclose malpractice and wrongdoing. This policy will apply to the school and it would be appropriate for the governing body to consider the Las policy and endorse procedures for school staff and ensure its staff are made aware of its existence. In particular, they should be made aware of:   * The categories of staff to who the protection is available * The areas of malpractice and wrongdoing that are covered; * The routes available within the LA for raising issues. | Staff & governors may not be aware of how they can deal with concerns they may have relating to fraudulent activity. | 1. Establish whether the school has details of the LA whistle blowing policy. 2. Where the School has formulated and adopted its own whistle blowing policy check that this covers the following:  * How/method to raise concerns * Independent point of disclosure (i.e., someone not involved in the management/governance of the School) * Guarantee of anonymity  1. Check that staff are aware of it (for example through it being displayed on the School’s noticeboard or through team meetings).   *Note: the School may adopt its own whistle blowing procedures* |  |
| C01.09 | **Governor skills (SFVS 1 and 2)**  It is essential for the governing body to have adequate and up-to-date financial skills and to maintain these skills to ensure they meet their statutory responsibilities for the financial management of the school and can safeguard the large amounts of public money for which they are responsible.  Not all governors need these skills, but collectively members of the governing body (and finance committee or equivalent) should have these skills among them. Governing Bodies should ensure they have a plan in place to fill any gaps in knowledge  It is good practice for governing bodies to analyse their skills on a regualar basis or if there are significant changes to its make-up or to individual governors’ roles and responsibilities, to identify any skills and knowledge gaps. Once the governing body have assessed their skills, they can put in place actions to help ensure that collectively they have adequate financial skills | The Governing Body may not collectively have the necessary, and up to date, financial skills to enable them to meet their statutory responsibilities for the financial management of the school.  The Governing Body may not be able to fulfil their ’critical friend’ role by properly challenging, supporting and advising the headteacher and holding them to account for the day-to-day running of the school, | 1. Establish how the Governing Body assesses the skills held by all governors and how are any gaps addressed, i.e. is a periodic review or skills audit is undertaken, by all members of the Governing Body? Is the outcome of a skills reviewed reported within Governing Body meeting minutes? 2. Are the Chairs of the Governing Body and of the Finance Committee knowledgeable and experienced? 3. Obtain evidence that governors are provided with adequate guidance on their roles and responsibilities and that these are clearly explained. This may be through an induction pack or may be accessed via GovernorHub. |  |

**Financial Management [02]**

|  | **Expected Control Process** | **Risk** | **Testing Procedure** | **Testing Finding** |
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| C02.01 | **Financial Strategy linked to School Strategy for Raising Standards and Attainment (SFVS 6 and 7)**  A School Development Plan (SDP), which has been approved by the Governing Body, is in place at the school. This provides clear statements of key tasks and targets which reflect the obligations and strategy of the school. The Plan also provides assistance on the budget setting process where an objective has a financial implication  *NB the School Development Plan can also be called a School Improvement Plan (SIP)* | Finance may not have been fully considered when approving the SDP.  Lack of evidence of Governor approval of school development plan | 1. Confirm that an SDP is in place and has been approved as per the Governors' minutes within the previous 12 months (confirm date). This might not necessarily be a one-off exercise, the process of review could be on-going, due to the evolving nature of SDPs; however, should this be the case, details of the on-going review should also be recorded in the minutes (at a minimum, there should be an annual review and approval process.) 2. Check the SDP to ensure that, where applicable, it includes estimated resource requirements, targets and success criteria to provide some link to the budget. Where financial resources are required check how provision has been made within the budget. 3. If there is no SDP, identify how the school manages its key tasks. |  |
| C02.02 | **Balanced 3 year budget submitted to LA following challenge and approval by GB (SFVS 9 and 10)**  The school should prepare a three-year budget (as required). The budget should be either balanced or aimed at recovering a previous deficit.  This budget should be a financial representation of the School Development Plan (as above).  The Council’s local Scheme for Financing Schools will set out the extreme circumstances in which a school can apply for a licenced deficit and requires LA approval. | Governors are unaware of the financial position.  School may not have realistic plans to recover any deficits. | 1. Ensure there is a 3-year budget plan in place which has been approved by Governors (documented within the minutes of the relevant meeting) following opportunity to challenge. Check that the budget presented to the Governing Body is in the format prescribed by the LA.   *Note: The budget should be owned by the School and the Full Governing Body. FGB meeting minutes should document detailed discussions on the budget to evidence the ownership of the budget.*   1. Through discussion with the Headteacher, and examination of budget supporting papers, establish whether all factors were taken into account when setting the annual budget and that these were based upon the best and most complete information available (e.g. actual and projected pupil numbers and notifications of funding levels, all known sources of income, planned expenditure). 2. If a prior year deficit existed, there should be a plan to eliminate this, and this plan should be agreed by the Local Authority. Where the school is in deficit, check that the school has a licensed deficit recovery plan in place and that this has been submitted to the Schools Finance Team. 3. Similarly, the School should not have excessive surplus balances.   If the school has a significant level of reserves, confirm that there are plans in place to use these reserves. Check back to the previous year’s budget to confirm that the reserves are not being carried forward without being used. |  |
| C02.03 | **Budget Monitoring Procedures (SFVS 3)**  Monitoring procedures should be appropriate for the value of the resources being managed and there should be overall control over expenditure.  This may be achieved by the following:   * Preparation of monthly budget monitoring reports from the school's financial accounting system * Established reporting lines (i.e., Finance Committee, Governing Body, etc.) * Established cycle of reporting (e.g., monthly, six-weekly) * Clear roles/responsibilities regarding the monitoring of income and expenditure * Records of corrective action taken   \* Changes to the budget (known as virements) can be used to conceal areas of budget overspend. As per the Scheme for Financing Schools, governing bodies are advised to establish criteria for virements and financial limits above which the approval of the GB is required. Where virements are of a significant level, as determined by the Governing Body, a revised income and expenditure plan should be submitted to the LA. | Governors are unaware of the financial position.  Funds may have been spend on unauthorised expenditure. | 1. Obtain copies of the budget monitoring reports used by the Headteacher and those reported to Governors. 2. Budget monitoring reports should be generated from the School’s financial management system.Some Schools maywish to have in place a manually produced budget monitoring report. This is acceptable, however the FGB should still be provided with a copy of the financial management system report to ensure that transfer of values was accurate 3. Confirm that the FGB or Finance Committee receives budget monitoring reports of budget position at least 6 times a year (as recommended by SFVS 3), and how this is achieved if the Governing Body only meets termly. 4. Confirm that the budget is regularly monitored by the Headteacher and/or Business Manager, i.e., on a monthly basis (signed to evidence review). 5. Check that the school’s overall financial position is in line with the approved budget. Review the monitoring reports. Obtain explanations for a sample of significant variances (over or under spending). Establish whether appropriate remedial action is being taken. 6. Check whether there have been any significant changes to the budget (i.e. have any virements taken place) by comparing the original approved budget to the current budget. If there are any changes check that that these have been approved in line with the Scheme of Delegation. |  |
| C02.04 | **Bank Account Reconciliations and management**  All transactions in the schools account should be reconciled to the bank statement.  A second officer should check that these bank reconciliations have been conducted and that any unreconciled items are investigated.  A list of all the bank accounts in place should be held and should state which staff members are authorised to act on behalf of the school with the Bank.  By monitoring the bank account and the projected income and expenditure, the school will be able to ensure that it has sufficient funds available to meet its financial commitments and obligations and allow it to take corrective actions should material variances occur. Depending on the size of the school, and the financial management system in place, the school may prepare cash flow forecasts. | Bank account could become overdrawn.  Errors/discrepancies may not be identified promptly.  Account reconciliations are not performed or reviewed by appropriate members of staff.  Lack of accountability for the school bank account.  Bank mandate is out of date and contains staff who are no longer employed by the school. | 1. Check to confirm that regular (at least monthly) and prompt reconciliations are carried out between the data held on the school financial system and the bank statement. Note the date of the most recent reconciliation. 2. Check that bank reconciliations are signed and dated by the officer conducting the reconciliations and a second senior officer (either the Business Manager or Headteacher) as evidence of review. Note if the Headteacher is not the secondary reviewer of the bank reconciliation then confirm that they receive a copy of the bank reconciliation as part of the regular budget monitoring. 3. Re-perform the most recent reconciliation and confirm that this has been completed accurately. Where the reconciliation does not balance, confirm what actions are being taken to resolve this. 4. Examine the bank statements for the past year and check that the bank account has not been overdrawn.   If there are any instances where the bank account was overdrawn, then through discussion with school staff confirm what actions were taken to address these instances and if this was notified to the Finance Committee/ or Chair of Finance Committee for transparency.   1. Through discussion with school staff establish how cash flow is monitored and determine if this is appropriate. 2. Examine the bank mandate and confirm that it is up to date and that those named are current staff and appropriate based on their roles (cross check to the authorisation of BACS payments in the purchasing testing). |  |
| C02.05 | **All transactions are reconciled**  All transactions as per the financial management system should be reconciled to supporting documentation periodically. All unreconciled items should be identified and actioned accordingly. | The School’s financial position may appear distorted. | 1. Obtain an unreconciled item listing from the financial management system and check that there are no unusual or long-standing (over 6 months) unreconciled items listed. 2. Confirm if the unreconciled items listing is generated and used as part of the monthly bank reconciliations.   *(Examine the listings of unreconciled items for out of date or unusual items (e.g., unreconciled journal entries, duplicate entries, old unreconciled receipts. Anything over 6 months old should be cleared as the bank may not process these)* |  |
| C02.06 | **Shared costs arrangements**  Schools may share staffing resources with other schools in which case the employing school will need to invoice the other school for a share of the employee’s costs. | Invoicing for shared costs does not take place on a regular basis which may adversely impact upon the schools financial position | Through discussion with the Headteacher and Business Manager establish whether there are any arrangements where costs may be shared with another organisation e.g. there is an Executive Headteacher in place who splits their time across two schools.  Where costs incurred by the school are to be shared with another organisation check that these are invoiced regularly and promptly. Check that the income for these costs is received in a timely manner. |  |

**Procurement [03]**

|  | **Expected Control Process** | **Risk** | **Testing Procedure** | **Testing Finding** |
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| C03.01 | **Quotes and tenders for Goods, Works and Services (SFVS 20)**  Written quotations and tenders are employed in the procurement of goods, works and services in accordance with the Council's Contract Standard Orders and Financial Regulations, and as per the levels of approval as set out in the Scheme of Delegation, Financial Procedures and Terms of Reference for Committees.  **LBHF:** The Schools Financial Procedures state that where a contract for goods and services exceeds £10,000, three written quotes must be obtained prior to a commitment.  **RBKC / WCC**: The number of quotes is not set out. Therefore the schools should follow their own internal controls.  **However, we would generally expect to see schools obtaining quotes well below value of £10k.** | Expenditure and commitments are not in accordance with financial and contract rules and best value principles, resulting in VFM not being achieved or demonstrated. | 1. Obtain the Bank History Report (or similar report which details the payments to suppliers processed through the schools financial management system and bank) and identify any payments in excess of £5,000 net of VAT. Identify if any payments are made to reoccuring companies/individuals. 2. For these transactions, for a maximum sample of three, confirm that quotes/tenders were obtained and orders placed in accordance with the financial limits stated in the the Council's Contract Standard Orders and Financial Regulations, and as per the levels of approval set out in the Scheme of Delegation. Check that, where necessary, approval from the Finance Committee or Governing Body has been obtained. Note that in some cases depending upon the timing of governors meetings obtaining prior approval may not be practical. In these cases, check that the governors were made aware that the purchase was going to be made (prior to the purchase actually being made) and that the purchase was then reported to them at the following meeting.   Testing in line with 03.03 should also be undertaken on this sample of higher value purchases.   1. Where no individual payments appear to be over £5,000, check annual spend by supplier to ensure procurement limits are not breached (the School should be able to run a report for you showing this information.   *Note - do not include payroll payments, payments for agency/supply staff, school trip payments or payments to the Council for support services.*  Quotations or tenders should be obtained as appropriate and best value principles considered for all major procurement exercises. Where quotes have not been obtained in accordance with Contract Rules the reasons should have been reported to Governors. Ensure that Governors / the Council’s procurement team have approved any expenditure which exceeds the head’s delegated expenditure limit. |  |
| C03.02 | **Governors involvement in procurement (SFVS 21)**  Governors should be given the opportunity to discuss the options available to the school prior to the approval of continuation/cessation of contracts including Local Authority traded services and leases. | School may not achieve best value.  Service contracts may be entered into without governor approval. | 1. Through review of a report which details the payments to suppliers processed through the schools financial management system and bank, and through discusssion with school staff, confirm what contracts the school currently has in place. 2. For any contracts that have recently been let (within 12 months), confirm the Governing Body (or Finance Committee depending upon what is stipulated within the Scheme of Delegation) minutes clearly show Governors have the opportunity to challenge and discuss procurement options prior to contract decisions being taken.   Expert advice should be sought for complex contractual arrangements.   1. Check that value for money has been sought before entering into these contracts (for example through obtaining quotes or tenders as per the School’s Finance policy). 2. Where the school has long standing contracts (over 12 months), they should still test the market periodically to confirm they are receiving value for money.   Obtain copies of the contracts. |  |
| C03.03 | **Payments Testing (SFVS 20 and 27)**  There should be adequate and effective controls in place to ensure that all transactions are legitimate and in accordance with Council's Procurements and Contracts Regulations.  Procuremet processes should be in line with the LA’s own financial procedures laid out below:  **LBHF** Schools Finance Procedures set out the following:   * Purchase orders should be raised through the School’s financial management system where costs can be highlighted in advance and signed by an authorised member of staff in line with the Scheme of Delegation * Goods and services should be checked on receipt and evidenced by the induvial who signed the original PO * Invoices should be paid in line with specific laws in place for payment of debts and only when authorised by an approved individual in line with the Scheme of Delegation.   **RBKC / WCC:** not set out within the Scheme for Financing Schools but should follow LBHF’s process above. | Potential for fraud & irregularity.  Expenditure is authorised by inappropriate persons. | From the School’s Bank History report (or similar report which details the payments to suppliers processed through the schools financial management system and bank), select a sample of 10 payments under £5,000 and perform the following tests:  **NB Do not select utilities, payments to the Council, school trips or contract payments.**   1. An official purchase order has been raised for the goods/services, prior to the transaction being initiaited (check that this is not a confirmation order); 2. Official order was authorised in accordance with the School’s Scheme of Delegation 3. Alternative quotes have been obtained for all applicable items 4. Goods/services purchased are reasonable for the use of the School; 5. Establish whether goods/ services received checks have been evidenced (by someone different to point b above) 6. A valid invoice exists to support each transaction, it is not a copy invoice or statement. Where VAT has been charged by the supplier, check that the invoice is valid for VAT purposes (invoice should at least have a VAT registration number in order to reclaim VAT) 7. Invoice was authorised for payment in accordance with the Scheme of Delegation 8. Payment was made within 30 days of the invoice date. Where invoices are disputed check that this is evidenced either on the invoice or the system.   Check that payments to suppliers of services were not made in advance other than in exceptional circumstances e.g. deposit is required.   1. There are appropriate separation of duties present in the purchasing process (this may be limited depending upon the size of the school and the number of staff involved in the process). |  |
| C03.04 | **Payments to Individuals**  HM Revenues and Customs regulations in relation to Off-Payroll working (IR35) require that anyone performing a service that is deemed under the control of the employer should be paid via the payroll, and have necessary taxes deducted at source. | HM Revenues and Customs regulations not complied with. | Where payments made to individuals e.g., school fund accountant, confirm (for up to 5 individuals – but **do not select staff expenses / reimbursements**) that checks have been made using an HMRC tax status questionnaire or Unique Tax Reference check to determine if the role is carried out on a self-employed basis or whether off payroll working in the public sector rules apply prior to making direct payments to them without deduction of tax.  The check can be made via the following link: <https://www.tax.service.gov.uk/check-employment-status-for-tax/setup>  *(When revewing the IR35 testing, ensuring that the IR35 check was completed by the School and not by the individual, and that evidence has been retained to demonstrate this)* |  |
| C03.05 | **Procurement Cards**  There should be documented policies/procedures with regards to procurement card purchases. There should be documentary evidence to support all purchases made using the procurement card.  Access to cards should be restricted to the card holder only, and the number of cards used should be kept to a minimum.  Expenditure on the card should be reviewed on a regular basis to confirm it is appropriate. This should be undertaken by someone other than the card holder.  Proof of purchase should be retained to support purchases made.  Regular reconciliations should take place between the bank statement and the procurement card statement to make sure transactions have been accurately reflected. Any variances should be investigated. | Potential for fraud & irregularity.  Expenditure is authorised by inappropriate persons. | 1. Ascertain whether the school makes any purchases using procurement cards. If so, record how many procurement cards and who they are allocated to. 2. Confirm if there are documented policies and procedures in place for the use of procurement cards. This may be included within the school’s Financial Procedures (01.04) 3. Establish what types of purchases the procurement card is used for and whether there are any restrictions on its use such as values, nature of expenditure (e.g., cash withdrawals). Check that cards are kept securely by the card holder when not in use. 4. Review procurement card transactions to check usage is appropriate (does not include staff gifts or alcohol) 5. Select a sample of 5 payments made and confirm that proof or purchase has been retained (receipts, online payment confirmation etc). 6. Confirm that reconciliations of card orders, statements and receipts are carried out on monthly basis. 7. Confirm that P-Card expenditure and reconciliations are reviewed and signed off by an independent senior officer. 8. Check that the reconciliation is signed off by both the preparer and the reviewer as evidence of the review. |  |
| C03.06 | **Staff Expense Claims**  An expense policy should be in place and has been approved by the relevant committee. As a minimum, the policy should set out the types of allowable expenses, time limits for submitting claims, approval requirement, and the need to submit the relevant form and valid receipts.  Any staff expense claims should be:   * Within the allowable expenses criteria set out in the school’s approved expenses policy; * Submitted promptly within the time limits; * Be supported with a completed form (setting out the reason for the expense and signed by the claimant) and valid receipts; and * Be approved in line with the policy.   Self-authorisation of claims by the claimant is prohibited. Claims by the Head Teacher must be certified by their Deputy or Senior Teacher. | Payments are made for inappropriate expenditure resulting in loss of income for the school. | Confirm that the school has an appropriate expenses policy (set outs the types of allowable expenses, time limits for submitting claims, approval requirement, and the need to submit the relevant form and valid receipts) that has been reviewed and approved by the Governing Body (or delegated subcommittee) in the last 12 months. NB – may be with the Financial Procedures (01.04).  Select a sample of 5 expense claims and test the following:   1. Confirm that the expense claim was submitted within the time limits set out within the expenses policy (if no policy exists, highlight any cases that were claimed more than a month after incurring the expenditure). 2. Check that the date and reason for the expense has been clearly documented and furthermore, that the expense claim form has been signed by the staff member claiming the expense. For the sample selected, check the reasonableness of the expense claims (i.e., making sure it’s not for flowers for staff or food/drink for staff parties). 3. Check that the expense claim is supported by a voucher/receipt/invoice to support the expense incurred. 4. Check that the expense claim has been certified by an authorised officer and that there is an adequate segregation of duties. Ideally expense claims should be authorised by someone more senior than the claimant. |  |
| C03.07 | **Petty Cash**  3.7.1. All claims should be: ​  Reasonable and relate to the School;​  Submitted promptly; ​  Supported with a completed claim form (setting out the reason for the spend and signed by the claimant) and valid receipts; ​  Approved by an authorised officer who is independent of (and preferably more senior than) the claimant; and ​  Signed by the claimant to confirm receipt of the money.​  3.7.2. Petty cash reconciliations should be carried out regularly to confirm that the balance recorded on the financial management system matches the cash held. The reconciliation should be reviewed by an independent senior officer and evidence of the reconciliation. Both the officer completing the reconciliation and the officer reviewing should sign and date the reconciliation as evidence. |  | Where the school uses petty cash select a sample of five claims made within the past year and check that all claims are:   1. Reasonable and relate to the School; 2. Submitted promptly; ​ 3. Supported with a completed claim form (setting out the reason for the spend and signed by the claimant) and valid receipts; ​ 4. Approved by an authorised officer who is independent of (and preferably more senior than) the claimant; and ​ 5. Signed by the claimant to confirm receipt of the money.​   Reconciliation:   1. Petty cash reconciliations should be carried out regularly to confirm that the balance recorded on the financial management system matches the cash held. 2. The reconciliation should be reviewed by an independent senior officer and evidence of the reconciliation. 3. Both the officer completing the reconciliation and the officer reviewing should sign and date the reconciliation as evidence. |  |

**Income [04]**

|  | **Expected Control Process** | **Risk** | **Testing Procedure** | **Testing Finding** |
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| C04.01 | **Income Collection and Banking**  There will generally only be relatively small amounts of income to be paid into the school account other than those coming from the Authority.  Income received must always be kept secure and must be banked regularly. All income collected should be banked at least once a week.  **Cashless system**  Please note that most schools now have a cashless system. The cashless system should record the following:   * who the income is from, * how much has been received, * date of receipt, * how much is outstanding.   **Lettings**  The school should have a lettings policy in place which sets out the suitable types of lettings which may take place on the school site and the details around this. This should be reviewed and agreed annually by the Governing Body.  Where the school does have lettings there should be appropriately signed agreements in place between the school and the hirer setting out the terms for this letting arrangement, the responsibilities of both parties and the financial arrangements. | Income may not be accounted for.  Staff are not protected from accusations of fraud, maladministration or theft  Income may be misappropriated  There is no agreed Lettings Policy in place.  Lettings take place without formal signed agreements in place. | Through examination of the bank history and discussions, establish what sources of income the school has (i.e., other than the budget share from the Local Authority, Standards Funds and other grant funding). This may be sources such as school meals, trips, school uniform sales, lettings etc.  **NB – most schools are now cashless.**  Where there is still cash income, confirm that there is an appropriate audit trail for the collection of all income due, collected and banked and includes an adequate separation of duties by testing the following for sample size of 5:   1. How is the income received and by whom? 2. How is it recorded and by whom? This may be through issuing receipts or maintaining cash collection records. Obtain examples. 3. Who is responsible for banking the income, how is this done and how frequently (evidence)? 4. Does anyone review and reconcile the amounts to be banked, against income records **prior** to banking, in order to confirm that monies have not been misappropriated? In addition, are these reconciliations checked by a second senior officer (preferably the Head teacher). Obtain examples of banking records. 5. Is the deposited cash present on the relevant months bank statement? 6. Check to confirm that prompt reconciliations have been carried out between the data held on the school financial system and the bank statement for the deposited cash. 7. Check that bank reconciliations are signed and dated by the officer conducting the reconciliations and a second senior officer (either the Business Manager or Headteacher) as evidence of review. 8. Confirm how the cash received is held securely at the school and check that large amounts of cash are not being held on site.   If not already in place, has consideration been given to a cashless system?  If the school is cashless, carry out a walkthrough review of the School’s income collection software and confirm that the software outlines the following by choosing a sample of 5 incomes:   * Who the income is from * Total received * Date of receipt * Accruals   Lettings  Where the school has lettings:   1. Confirm that there is a Lettings Policy in place which has been reviewed and approved by the Governing Body. This should take place on an annual basis. 2. For each letting arrangement in place check and obtain evidence that there is an agreement in place (signed by the hirer and an appropriate officer at the school) which sets out the terms of the letting arrangement, including responsibilities, the period the arrangement covers, the charges due and when these should be invoiced/ paid, late payment fees, insurance arrangements. 3. For each letting arrangement in place check that it is in line with the Lettings Policy. 4. For each letting arrangement check that the income is received from the hirer in a timely manner when it falls due. Where the school is to invoice the hirer, check that this is done promptly, in line with the lettings agreement, this should normally be in advance of the period, if it is not then establish the reasons why not. 5. Check that income received from lettings has been recorded onto the relevant income code on the financial management system. |  |

**Asset Management [05]**

|  | **Expected Control Process** | **Risk** | **Testing Procedure** | **Testing Finding** |
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| C05.01 | **Asset Register (SFVS8)**  The Head Teacher should maintain an appropriately valued and up to date asset register or inventory of valuable goods and equipment. The inventory, which should be kept in a secure place, should include a full description of the items including a note of any security markings and identification numbers.  The register should be regularly updated.  Head Teachers should ensure that a comprehensive inventory check is carried out on an annual basis at least. | A record of all assets in the school is not maintained.  Unable to identify equipment if it is stolen.  Potential loss of assets | 1. Confirm whether an inventory (or asset register) is maintained including the following entries:  * Date of acquisition * Serial number * Description of item * Location * Cost/estimated replacement value * Disposed of.  1. Who is responsible for maintaining the register / inventory and how often is it updated? 2. When was the last review / check undertaken and by whom? Confirm the check is independent of the officer responsible for maintaining the register. In addition, check that this check was reported to the Governing Body. (NB: Inventory checks should be undertaken on an annual basis and there should be evidence of this). |  |

**Staffing / Payroll [06]**

|  | **Expected Control Process** | **Risk** | **Testing Procedure** | **Testing Finding** |
| --- | --- | --- | --- | --- |
| C06.01 | **Payments are only made to bona-fide employees**  Payments should only be made to bona-fide employees. Procedures should be implemented within the school to ensure that the accuracy of payroll data is correct. Monthly payroll reports should be reviewed by 2 people to identify whether all employees paid are employed by the school, and whether the amounts paid are correct, signed by both and maintained. | Unauthorised payroll transactions may occur.  Lack of evidence / audit trail to demonstrate performance of a key checking control. | Confirm which payroll provider the school uses and check that there is a current contract in place with the payroll provider which has been signed by both parties (for the school this should be signed by either the Headteacher or the Business Manager).  Check that access to payroll data, reports, and documentation relating to employees is properly restricted.  Confirm that the school receives a monthly payroll report and confirm how the School verifies the payroll as correct:   1. Obtain evidence for the past three months – signed copies or evidence of review. 2. What checks are done on these and who is responsible for this? 3. The Head should review the payroll reports even if the Bursar or other staff member is responsible for completing any initial checks on them. Confirm for a sample of 3 months that there is evidence of the reports having been reviewed by the headteacher each month. This can be in the form of signed copies or emails as evidence of review. |  |
| C06.02 | **Overtime and Employee Costs**  Controls should be in place to ensure that all overtime is necessary, authorised and paid at the correct rate. | Inappropriate / excessive / unauthorised payments may be made. | 1. Review the most recent monthly payroll reports and identify any staff paid overtime. 2. From these staff, select a sample of 5 and confirm:    1. Overtime claim form completed and signed by employee;    2. Overtime claim form approved by an appropriate officer, usually the Head Teacher. |  |
| C06.03 | **Recruitment**  New employees are only appointed after a proper recruitment exercise with the appointment approved by the Headteacher, or other officer as identified in the Scheme of Delegation, with a clear contract setting out their terms and conditions. | Inappropriate / appointments may be made and there may be a risk of safeguarding to children. | For a sample of new starters in the last twelve months, check the following (all should be on personnel files):   1. Completed application form; 2. Evidence of Disclosure & Barring Service (DBS) Checks; 3. 2 references obtained 4. Identity and evidence of right to work in the UK; 5. Evidence of qualifications (where relevant – not required for cleaning or kitchen staff). 6. Confirm for the sample of new employees that a New Starter Form was fully completed in advance and approved by the Headteacher, or other officer as per the Scheme of Delegation. 7. Confirm that a Letter of appointment and signed Contract of Employment is on file. *(Confirm that the date signed is prior to their start date)* |  |
| C06.04 | **Leavers**  Notification of leavers is provided to the payroll provider in a timely manner to prevent payments from being made to individuals who no longer work for the School. | Payments may be made to individuals who no longer work at the school and these may not be able to be recovered or may incur management and admin time. | Identify how many leavers there have been in the current financial year.  For a sample of leavers, check the following:   * Notification was made to the relevant payroll provider with sufficient notice to allow this to be processed prior to the leave date; * The notification made included details of any additions or deductions necessary with regard to final pay; and * No payments were made in the months after the leave date except in exceptional circumstances. (look at the monthly reports) |  |

**Unofficial Funds [07]**

|  | **Expected Control Process** | **Risk** | **Testing Procedure** | **Testing Finding** |
| --- | --- | --- | --- | --- |
| 07.01 | **Annual accounts are audited and presented to Governors (SFVS 30)**  Unofficial funds are not Council monies but are under the direction of the Governing Body, and it is for the Governors to determine the way in which the accounts for such funds should be kept. The school is not required to disclose records of unofficial funds to internal audit but should be able to explain how they are administered.  Adequate records should be maintained for all unofficial funds maintained by the school. Ideally, the funds should have a treasurer to oversee all of the school’s unofficial funds.  At the end of the year the unofficial fund accounts must be audited by an appropriate external auditor. | Errors/discrepancies may not be identified promptly.  Governors will not be aware of Unofficial Fund activity. | 1. Obtain evidence of when the funds were last audited and confirm the independence of auditor/reviewer. 2. Confirm, through meeting minutes, whether an audit report/certificate has been presented to the Governing Body/Finance Committee. 3. Where the fund is provided to internal audit, view and confirm that all transactions are transparent and that no donations are from contractors for example. | . |